

**Statement of UNITE
On
U.S. Market Conditions for Certain Wool Articles in 2002-04
Before the
United States International Trade Commission
March 24, 2004**

Over the last decade our trade laws have had a devastating impact on the tailored clothing industry in the United States – reducing employment by half. Our trade laws have disadvantaged the industry in two ways. First, the tariffs on imported suiting fabric are some of the highest of any product, and far exceed the duty rates leveled against imported suits and sport coats. This has made it more expensive to remain a domestic manufacturer than to move offshore. Second, a special NAFTA rule allows Canadian and Mexican suit manufacturers duty-free access to the U.S. even when they import suits made of non-NAFTA fabrics. This special rule has created an export industry in Canada and Mexico at the expense of U.S. jobs.

In 2000, Congress began to address this trade inequity by providing temporary relief that balanced the claims of competing U.S. interests. The Trade Act of 2000 allowed U.S. tailored apparel companies to import limited quantities of fabric at reduced duty rates. Because tariffs remained in place as a means of protecting domestic textile producers, the compromise allowed a portion of duties previously collected to be refunded. In addition, the textile industry received duty-free treatment on various products they import and a refund of certain duties. And, finally, the sheep industry, concerned about losing market share in the worsted wool market received assistance in the form of a wool research, development and promotion program. These changes were effective for three years, ending December 31, 2003.

After Congress enacted the trade bill in 2000, two events significantly impacted the careful balance Congress struck. First, Canada has moved to further eliminate its duties on imported fabric, creating additional competitive advantages to Canadian manufacturers. Second, the duty refund program was unable to provide the promised relief because the refund filings were destroyed at the Customs Office at the World Trade Center.

Congress responded to these events by modifying and extending the tariff relief enacted in 2000. It rewrote the duty refund program to allow it to restart despite the loss of the Customs filings at the World Trade Center. It modified the temporary duty relief program and extended the relief for 2 additional years -- through the end of 2005.

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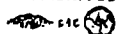
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It eliminated the duties (from 6% to zero) for high-end fabric otherwise subject to reduced-duty treatment in response to Canada's elimination of duties on such fabric without any quantity limitation. And it increased the quantity of fabric subject to reduced duties for 2002 and 2003 and years thereafter.

All of these provisions expire at the end of 2005.

The domestic tailored clothing industry and wool textile mills continue to face significant challenges maintaining employment and production as a result of an unlevel playing field.

A coalition of U.S. companies and trade associations representing every facet of the supply chain for worsted wool products is concerned about the impact the expiring provisions will have on U.S. manufacturing jobs. UNITE supports a five-year extension of the wool duty relief program subject to the following modifications:

(1) The duty rate under the TRQ for coarser fabric will be reduced from 17.5% to 10% and the TRQ quantity will be increased from 4.5 million square meters to 5.5 million square meters. These changes would be effective January 1, 2005.

(2) The TRQ quantity for higher-grade fabrics would be increased from 3.5 millions square meters to 5 million square meters effective January 1, 2005.

(3) An additional TRQ for higher-grade fabrics would be added for the benefit of textile mills that import fabric subject to a 2 million square meter limitation. This change would be effective January 1, 2005.

(4) The authority of the tailored clothing companies to petition for additional relief from the Secretary of Commerce would terminate effective January 1, 2005.

(5) An additional \$2.666 million would be made available annually to the Commerce Department to allocate as grants to textile facilities that compete in coarser fabric production, and the identical program for those facilities that compete in the higher-end fabric production.

(6) To prevent the import and sale of mislabeled goods, the Wool Labeling Act of 1939 would be amended to adopt the standards of the International Wool Textile Organization as to the labeling of wool products with the term "Supers."